

**Budget and Finance Committee
Meeting Minutes
January 15, 2010**

The Bethany Beach Budget and Finance Committee held a meeting on Friday, January 15, 2010 in the Bethany Beach Town Hall meeting room, 214 Garfield Parkway, Bethany Beach, DE 19930.

Members present: Jack Gordon, Chairman, who presided; Chuck Peterson; Joseph Healy; Don Doyle; and Phil Rossi.

Excused Members: Stan Berkman and Denise Boswell.

Also Present: Mayor Tony McClenny; Council members, Jerry Dorfman, Lew Killmer, and Ms. Young; Town Manager, Cliff Graviet; Finance Director, Janet Connery; Coastal Point reporter, Monica Fleming; and Administrative Assistant, Lindsey Shallcross.

Call to Order

Mr. Gordon called the meeting to order at 2:00 p.m.

Approval of Agenda

Mr. Peterson made a motion to approve the agenda. The motion was seconded by Mr. Doyle and unanimously approved.

APPROVAL OF MINUTES

Meeting held July 17, 2009

Mr. Doyle made a motion to approve the minutes dated July 17, 2009. Seconded by Mr. Healy, the motion was unanimously approved.

Meeting held November 20, 2009

Mr. Peterson made a motion to approve the minutes dated November 20, 2009. Mr. Rossi seconded the motion and it was unanimously approved.

OLD BUSINESS

Discussion and Possible Vote on Debt Guidelines

Mr. Gordon began by stating that the subject of debt has been raised several times over the past year by Mr. Healy and asked Ms. Connery to review the Draft Guidelines document.

Ms. Connery mentioned that this subject was discussed at the Town Council Workshop held December 17, 2009. A suggestion was that since the Town Charter addresses limitations on debt in detail, a supplemental document could be prepared. The words “guidelines”, “guidance”, “thought piece” and “philosophy” were used rather than “policy”. Ms. Connery compiled the draft document “Guidelines for New Debt Issuance” based on these discussions,

the writings of Mr. Healy and her own research. The committee could recommend something like this to Council.

Ms. Connery briefly reviewed all thirteen (13) guidelines on the document stating that many of these were valid ways to responsibly issue debt. The guidelines are not something that would restrict Council action. They would just be a way for the current Council to put in writing how they believe future Councils should act.

Ms. Connery noted that she put the draft document together as an attempt to address Mr. Healy's concerns and reach an agreement. The current Council cannot bind the future Councils and future Councils could choose to set aside or revise something of this matter.

Mr. Healy advised that this should be combined with the Fund Balance Policy and that neither is complete on its own. He mentioned that one factor for the Fund Balance Policy is to reduce the need for debt. He stressed the importance of long term planning. Mr. Doyle felt that several points were already covered in the fund balance policy. He said that significant debt is an uncommon thing for the Town and that the need for, and availability of, debt will vary each time. He is not sure that this draft is necessary or adds anything to the Reserve Policy and Town Code.

Mr. Rossi agreed that he did not think these guidelines were necessary since the Town has not been using debt. Mr. Peterson said that many of the items listed are already known and non binding so he questioned what this is accomplishing. Mr. Healy said he felt all the points in the guidelines are good points and reiterated that he thinks it should be combined with the Fund Balance Policy. Mr. Gravier noted that we have a debt policy in our Town Code, that the Council changes yearly and that this Council cannot limit the actions of future Councils. Mr. Gordon said that the Committee should not try to add this to the Fund Balance Policy in part because that policy is before Council to approve at tonight's meeting. Mr. Healy made a motion to table this discussion. Mr. Doyle seconded the motion and it was unanimously approved.

NEW BUSINESS

Review 3rd Quarter of FY 2010 Results

Ms. Connery stated that the Draft Budget pages in the packet include revenue and spending through December 31, 2009. Since they reviewed the first half of the year in depth at the last meeting, she gave a brief update of the following:

- The General Fund revenue overall is very good. The decline in summer visitors was less than the 5% anticipated when the current year's budget was prepared.
- Parking meters are down 4% and Rental Taxes are down 3% from the prior year, but both exceeded the amount budgeted.
- Transfer tax collections are \$607,000 as of this morning.
- Rental tax collections are \$881,000 as of this morning. They had been concerned that the budgeted amount might not be reached due to a reduction in rentals, but have now exceeded the budget.

- Licenses, Permits & Fees will also exceed the budget. The Franchise fee will be received from Mediacom in February or March.
- Parking revenue has exceeded the budget by almost \$100,000 mainly from the increase in the fine amount that was approved in May.
- Overall, the General Fund should end the year at least \$250,000 over budget in revenue, \$150,000 from transfer taxes and \$100,000 from parking.
- Sanitation Fund revenue will end the year close to the budget.
- Water Fund revenue should end the year around \$40,000 over budget. Water usage may end the year \$40,000 to \$60,000 under budget from less use but Impact fees have already exceeded the budget by \$104,000 mainly from the Blue Surf project.
- As for the Operating Budget, the column for the FY 2010 budget includes the effect of an amendment, which the council is expected to approve tonight, using \$25,000 in contingency funds to supplement the Beach Patrol budget. At the last meeting we discussed that additional lifeguard hours were needed this past summer.
- Other than this adjustment, everything indicates that we'll end the year under budget.

The Committee discussed Transfer Tax revenue. Roughly half of the Blue Surf units have settled and they have received approximately 60% of what we will get in total. Mr. Rossi commented that there continues to be construction of new homes around Bethany Beach. Mr. Killmer noted that the Addy-Cooper project will add sixteen (16) houses next year. Mr. Peterson commented that the continued decrease in housing prices should lead to more sales. Mr. Killmer noted that there is still concern that the State may take this revenue source away from towns. Mr. McClenny said that the Sussex County Association of Towns (SCAT) is working to prevent this.

Discuss Revenue Sources for FY 2011

Ms. Connery stressed that the only fee changes in the budget are:

- Alderman Court cost fee increasing from \$15 to \$20 to match the State fee, generating an additional \$13,000. This will bring the court closer to the break-even point as discussed at the last meeting.
- Ambulance service fee reducing from \$37 to \$30 to match BBVFC projections.

General Fund revenue is budgeted at a \$141,000 (2.9%) increase from adjusted estimates rather than increases to fees or taxes.

- Property tax – \$23,000 increase in revenue from new construction. \$19,000 is generated from Blue Surf properties. There is no adjustment as the tax rate is in this draft.
- Transfer tax – increasing budget by \$50,000 to \$500,000.
- Rental Tax – increased budget by \$20,000 to \$880,000 to match the current year's expected total.
- Annual Parking Permit decrease of \$27,000 for ending the third permit.
- Parking Fines increase of \$80,000 from the fine increase approved this past May after the current budget was approved.

- Interest income decrease of \$20,000 from low interest rates.
- Small adjustments to other revenues to budget in line with recent history. This budget assumes that revenues next year will be comparable to the current year.
- \$138,000 of the \$141,000 budgeted revenue increase is generated by the summer season.

Sanitation Fund revenue is the same in total. \$13,000 was shifted from interest income to trash fees as interest rates continue to be very low and new construction projects will increase the number of properties being charged the trash fee.

Water Fund revenue is a \$40,000 (3.6%) decrease in total. Ms. Connery used an average of the past three to five years water usage to figure the budget for next year. This resulted in a \$30,000 decrease in the budget for water usage fees. The other \$10,000 revenue decrease is in interest income.

The Committee discussed the property tax rate. Mr. Healy felt that the Committee should recommend a small increase to the property tax rate so that it continues to be considered every year. The newspaper reported today that the inflation rate for 2009 was 2.7%. The Committee agreed that they should continue to consider small adjustments to the property tax rate each year. The budget being reviewed now does not indicate a real need for the increase this year since budgeted General Fund Revenue is increasing more than budgeted general fund operating costs. Given the current state of the economy, the Committee agreed not to recommend a property tax rate increase at this time.

Discuss Draft Operating Budget for FY 2011

Ms. Connery explained that she would start with Town-wide personnel costs, which makes up 61% of the Town-wide operating budget and is increasing \$110,000 (3.2%). This increase is from funding for 3% raises, \$35,000 for a change in accounting standard (requiring that the town book an expense for the Town's former policy on post-employment health care), estimated increases in insurance costs (health, life, worker's comp, unemployment) and a \$10,000 decrease in state police grants.

The General Fund operating budget as a whole is increasing \$101,000 (2.5%). The main reasons are:

- \$40,000 budgeted in contract services in Beach & Boardwalk to re-construct beach access as needed.
- \$23,000 Nature Center staffing that was not included in the FY 2010 budget.
- \$16,000 for the accounting standard change (not an actual cost increase).
- \$13,000 reduction in state operating police grants (\$10,000 in police pension and \$3,000 in police vehicle mobile data terminals).

The Sanitation Fund operating budget is increasing \$50,000 (9.8%). \$30,000 of this is from Delaware Solid Waste Authority (DSWA) increasing their fees by 30%. This will cost the Town around \$42,000 more per year, though they are only budgeting for a \$30,000 increase since the tonnage of trash produced by the Town has been decreasing over the past few years.

Because of cost-cutting initiatives and the amount held in the Sanitation Reserve, they are not recommending an increase the to trash fees that they charge property owners at this time.

The Water Fund operating budget is increasing \$33,000 (4.3%). \$18,000 of this is the accounting standard change, the Chemicals budget decreased \$10,000 due to changes in the treatment process and the repair and maintenance budget was increased to meet these costs as needed.

Mr. Healy stated that he thought the General Fund should be charging the Sanitation and Water Funds an overhead or administrative fee. Ms. Connery responded that they already allocate a portion of salary and other costs between the three funds so that all do share in the cost of administrative overhead.

Discuss Preliminary Capital Budget for FY 2011

Ms. Connery reviewed the Capital Budget.

- \$1,000,000 is budgeted for Garfield Parkway enhancements as the Council decides.
- \$200,000 goes towards street work, which assumes no state grant funds.
- \$30,000 is to replace an ATV and a large mower in Public Works.
- \$22,000 is for replacement of police vehicle. Ms. Connery noted that the last five police vehicles replaced have been funded by Sussex County and that Town funds have not been used for a police vehicle since July of 2005.
- In Sanitation, \$160,000 is budgeted to replace a trash truck.

ANY OTHER MATTERS

Mr. Gordon addressed the schedule for the remainder of the meetings regarding the Town's budget.:

- Friday, February 19, 2010 at 2 p.m. is the next Budget and Finance Committee meeting.
- Monday, March 15, 2010 at 10 a.m. is a Town Council Workshop.
- Monday, March 15, 2010 at 2 p.m. is the Public Hearing.
- Friday, March 19, 2010 is when the Council will vote on the budget at the evening meeting.

MOTION TO ADJOURN

Mr. Peterson made a motion to adjourn. Mr. Healy seconded the motion and it was unanimously approved.

The meeting was adjourned at 3:40 p.m.